

PHARMACY BENEFIT MANAGER LICENSE

Frequently Asked Questions

PHARMACY BENEFIT MANAGER

What is considered a pharmacy benefit manager (PBM)?

Definition can be found at [KRS 304.9-020](#) or [KRS 304.17A-161](#).

Kentucky defines a PBM as:

"Pharmacy benefit manager" means an entity that, on behalf of a health benefit plan, state agency, insurer, managed care organization providing services under KRS Chapter 304, or other third-party payor:

- (a) Contracts directly or indirectly with pharmacies to provide prescription drugs to individuals;
- (b) Administers a prescription drug benefit;
- (c) Processes or pays pharmacy claims;
- (d) Creates or updates prescription drug formularies;
- (e) Makes or assists in making prior authorization determinations on prescription drugs;
- (f) Administers rebates on prescription drugs; or
- (g) Establishes a pharmacy network.

Does every PBM require a license?

Yes. Effective January 1, 2017, every PBM must have a license to operate in Kentucky.

What happens if our PBM does not have a PBM license by January 1, 2017?

The PBM will not be authorized to operate in Kentucky until proper license is obtained.

APPLICATION

Where can I find the PBM License Application?

Direct link for the [PBM License Application](#) can be found at the following link:
<http://insurance.ky.gov/Documents/PBMlicapp102816.pdf>

What should accompany the PBM License application?

- A fee of one thousand dollars (\$1,000), made payable to the Kentucky State Treasurer, must accompany the application. If the application is submitted after January 1, 2017, an additional penalty fee of five hundred dollars (\$500) should be included.
- Documents to support Section 5 of the application also must be submitted with the application. It is highly recommended to use the [Pharmacy Benefit Manager Application Guide](#) and organize all required information needed for licensure in a binder to ensure compliance with federal and state requirements. This includes specific policies and details such as proof of financial responsibility.

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Is completion of the Pharmacy Benefit Manager Application Guide required for PBM Licensure?

The PBM Application Guide is for internal use only. However, you may find the guide extremely helpful to determine what documents to include with the PBM License Application to ensure approval for licensure is granted in the most efficient manner. The guide can function as a checklist for all required items necessary to obtain licensure.

Where do I send the completed application and binder?

Applications and binders arriving via UPS, FedEx, or courier service should be sent to **physical** address: Kentucky Department of Insurance, Health & Life Division, Attn: Shelley Wood, 215 West Main Street, Frankfort, KY 40601

Applications and binders arriving via U. S. Postal Service should be sent to the following **mailing** address: Kentucky Department of Insurance, Health & Life Division, Attn: Shelley Wood, P.O. Box 517, Frankfort, KY 40602

Can PBM application be filed electronically?

No, at this time there is no electronic application for PBM License. It must be sent by paper format, with a check or money order made payable to the Kentucky State Treasurer.

FINANCIAL PROOF

What is required as ‘Proof of Financial Responsibility’ with respect to the \$1 million?

There is not a specific form required in Kentucky in order to provide proof of financial responsibility. A declarations page showing the details of the policy, or surety / cash bond will serve as proof. Most insurers have a generic form to provide proof of financial responsibility. Generic forms also are accepted as proof of financial responsibility.

GENERAL QUESTIONS

Where can I find out information about PBM licensure in Kentucky?

[Kentucky Department of Insurance \(KDOI\)](#) website has information. You can find documents under the Forms and Documents or look under What’s New/Recent Topics to view 806 KAR9:360E PBM License, have direct link to the PBM License Application, and a direct link to the PBM Application Guide.

[Agent Licensing page \(part of the KDOI website\)](#) is another place to obtain additional information.

Is a Utilization Review (UR) registration number a requirement for PBM licensure? The UR registration number is on the application and my organization does not perform utilization review.

Not all organizations will have a UR registration number. A UR registration number is not required for PBM licensure. If your organization does not have a need for UR registration number, please enter N/A in the UR registration box on the PBM Application form.

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Does a PBM that pays claims need a Third Party Administrator (TPA) license in addition to PBM license?

The answer to this question depends on what functions the entity performs. Since KDOI is not aware of every individual function performed by the entity, it is impossible to issue one 'yes' or 'no' answer to this question. However, there is a standard answer:

Each entity should review the definition of PBM and make determination that every function the entity performs falls solely under the PBM license. If the entity performs additional functions that fall outside of the definition of PBM, such as work for others, then the entity may fall outside of the PBM license authority, and the administrator license would be required in addition to the PBM License.

Also note: All individuals who will be designated to the PBM license must maintain an active administrator license in Kentucky.

Does Section 3 of the PBM License Application require a person (or persons) be listed?

Section 3 of the PBM License Application requires an individual licensed administrator to be listed as primary contact responsible for regulatory compliance for the PBM. [KRS 304.9-133](#) requires that one individual administrator be on file at all times. If the individual administrator license expires, there is a 30-day limit for re-licensing of this individual, or listing a new licensed administrator. Therefore, it is prudent to have more than one individual designated as primary contact responsible for regulatory compliance on behalf of the PBM.

Can a business entity be listed in Section 3 of the PBM License Application?

No, a business entity is not permitted to serve as primary contact for regulatory compliance on behalf of the PBM. Section 3 of the PBM License Application requires an individual (or individuals) licensed as administrators to be designated as primary contact(s) responsible for regulatory compliance on behalf of the PBMs.

What happens if the only individual PBM's TPA license expires?

There is a 30-day limit for re-licensing of this individual, or listing a new licensed administrator.

How do individuals apply for TPA license?

License application for individual administrators may be completed through www.NIPR.com, or by paper application printed from this link: <http://insurance.ky.gov/Documents/8301IndAppForm071514.pdf>. The TPA license fee is \$50, payable to KY State Treasurer.

Kentucky resident applicants also must order a criminal background report from the Kentucky Court of Justice website, by **using these specific instructions**:

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- Apply for criminal background report online through the KY Administrative Office of the Courts (AOC) at <http://kcoj.kycourts.net/PublicMenu/Default.aspx?header=AOC+FastCheck>. The non-refundable fee is \$20, payable by credit card or electronic check.
 - Select **Register** to create account. You will receive an email to verify your email address.
 - Select **AOC FastCheck**, then **Add a New Batch**.
 - Under Category, select **Licensing**;
 - Under Group, select **Dept. of Insurance (DOI)**;
 - Under Reason, select **Licensing**.
 - Follow the directions to complete your request to ensure the Department of Insurance receives an official copy of your report. **Please note:** *If you do not follow these specific instructions, the Department of Insurance will not receive the official copy of your background check and you will need to re-apply for a new report correctly. Online requests are processed within two business days of being received.*